

VZCZCXYZ0010  
RR RUEHWEB

DE RUEHGZ #0166 0740820  
ZNR UUUUU ZZH  
R 150820Z MAR 09  
FM AMCONSUL GUANGZHOU  
TO RUEHC/SECSTATE WASHDC 0342  
INFO RUEHBJ/AMEMBASSY BEIJING 0239  
RUEHHK/AMCONSUL HONG KONG 0101  
RUEHIN/AIT TAIPEI 0058  
RUEHGZ/CHINA POSTS COLLECTIVE 0131

UNCLAS GUANGZHOU 000166

SENSITIVE  
SIPDIS

STATE FOR CA/OCS/ACS AND CA/OCS/PRI  
ALSO FR EAP/C  
AND DS@  
BEIJIG FOR C, RSO AD LEGATQ

E.O. 12958: N/A

TAGS: [CASC](#) [ASEC](#) [ELAB](#) [PGOV](#) [PINS](#) [SNAR](#) [KCRM](#) [CH](#)  
SUBJECT: CHINA: AMCIT BUSINESS DISPUTE SHAKEDOWNS INCREASING AS  
ECONOMIC CONDITIONS WORSEN

REF: A) GUANGZHOU 0043, B) JACOBSEN/FITCH EMAIL 3/17/09

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1. (U) Summary: There appears to have been an increase in the number  
of business disputes in which American citizens have been forcibly  
detained until money is paid to obtain the victim's release. We  
believe the trend is related to worsening economic conditions, and  
that many cases likely go unreported. We recommend via ref email  
that the current advice on this issue in the Consular Information  
Sheet (CIS) for China be updated to reflect the growing trend. End  
Summary.

Old Strategy, New Urgency  
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2. (U) Extra-legal, strong-arm tactics are long established methods  
of resolving business disputes in southern China ("the world's  
factory floor"). Frequently, the victim is threatened with violence  
and detained at a factory, hotel, or private residence until payment  
is received. If a person is detained in a factory, scores or even  
hundreds of angry workers may be involved. If detained elsewhere,  
at a hotel or removed to another location, the victim has often been  
kidnapped/seized by a small group of hired thugs. While local law  
enforcement cooperates in ensuring the safety of American citizens  
in these cases, they are hesitant to get too involved. Usually,  
these situations are resolved when a payment is negotiated and  
delivered.

3. (U) In Guangzhou, the available evidence shows that reported  
cases involving Americans being held against their will until debts  
are paid have historically averaged approximately three or four a  
year. However, since October 2008, there have been eleven (11) such  
cases reported. There appears to be a higher incidence of these  
cases during trade fairs, when the numbers of foreign  
businesspersons in-country peaks.

RECENT INCIDENTS  
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4. (SBU) A case reported in February 2009 illustrates the high  
stakes sometimes involved and the lengths to which the perpetrators  
are willing to go. Two Amcits and their Taiwanese business partner  
were forced from the road in Dongguan, a major manufacturing center  
in Guangdong's Pearl River Delta. The victims were driven to a  
rural location and threatened with torture and death unless USD 4  
million was transferred to a bank account in China. One of the

factory's suppliers, not the factory owners themselves, apparently owed this amount of money. The supplier transferred the money from the U.S. and the hostages were released the next day. We only learned of the incident after the Amcit victims returned safely to the U.S. Their lawyer notified us that he had asked DOJ/FBI to help him work with Chinese authorities to investigate and prosecute the case (ref B).

15. (SBU) Two other recent cases appear to involve extortion. In January, an Amcit was detained and threatened with violence at his factory in Xiamen, Fujian province. The victim was convinced the men were affiliated with organized crime, and he insisted that he had no business connections with them. In March, an Amcit was held in his home in rural Hainan until money was paid. In both cases, the local authorities assisted the American citizens in escaping only after telephone calls were made from the consulate. In neither case has an arrest been made or criminal charges brought.

16. (SBU) Comment: As economic conditions deteriorate, business owners and factory employees grow more fearful that expected income from business deals and employee contracts will fall through. Weak enforcement of contract law was already a problem in China's legal system; the economic downturn has worsened the situation (ref A). Under these conditions, it appears that the use of vigilante tactics to collect on debts is growing. End Comment.

17. (U) This cable was cleared with Embassy Beijing.

GOLDBERG